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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the Common Council  
City of Winchester, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia (the "City"), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated September 21, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated September 21, 2005.

This report is intended solely for the information and use of management, the Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Didawick & Knopp, P.C.*

September 21, 2005



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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Members of the Common Council  
City of Winchester, Virginia

### Compliance

We have audited the compliance of the City of Winchester, Virginia (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Didanick & Knapp, P.C.*

September 21, 2005



**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2005**

**I. SUMMARY OF THE AUDITOR'S RESULTS**

- a. The auditor's report expresses an unqualified opinion on the financial statements of the City of Winchester.
- b. No reportable conditions in internal control were disclosed during the audit of the financial statements.
- c. No instance of noncompliance material to the financial statements of the City of Winchester were disclosed during the audit.
- d. No reportable conditions in internal control over major federal award programs were disclosed during the audit.
- e. The auditor's report on compliance for the major federal award programs for the City of Winchester expresses an unqualified opinion on all major federal programs.
- f. The audit did not disclose any audit findings required to be reported.
- g. The programs tested as major programs included:

	<u>CFDA</u> <u>No.</u>
i. <u>Food Stamp Cluster:</u>	
Food Stamp Program	10.551
State Administrative Funding for the Food Stamp Program	10.561
ii. <u>Nutrition Cluster:</u>	
School Breakfast Program	10.553
National School Lunch Program	10.555
iii. <u>Workforce Investment Act (WIA) Cluster:</u>	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.260
iv. Community Development Block Grant – States Program	14.228
v. <u>Special Education Cluster:</u>	
Title VIB-Special Education Grants To States	84.027
Preschool Grants	84.173
vi. Title I Grants to Local Education Agencies	84.010
vii. Foster Care Title IV-E	93.658
viii. <u>Federal Transit Cluster:</u>	
Federal Transit Capital Investment Grants	20.500
Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507

- h. The threshold for distinguishing Type A and Type B programs was \$300,000.
- i. The City of Winchester was determined to be a low-risk auditee.

**II. FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**IV. SUMMARY OF PRIOR YEAR FINDINGS**

None

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2005**

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Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Agriculture:</u>			
Nutrition Cluster: National School Lunch Program	10.555	N/A	\$ 73,851
<u>Department of Corrections:</u>			
Nutrition Cluster: National School Lunch Program	10.555	N/A	25,590
<u>Department of Education:</u>			
Nutrition Cluster: School Breakfast Program	10.553	40591	124,908
National School Lunch Program	10.555	40623	552,058
<u>Department of Social Services:</u>			
Food Stamp Cluster: Food Stamp Program	10.551	N/A	1,793,155
State Administrative Funding for the Food Stamp Program	10.561		
Cost Allocations - Food Stamps		90212	25,212
Admin.-Food Stamps NPA Allocation		90814	91,742
Admin.-Food Stamps PA Allocation		90815	39,130
Admin.-Food Stamps Allocation		90921	1,994
Statewide Fraud Free		90071	3,193
Admin.-LSCA FSET Allocation		90928	4,186
Admin.-FSET Allocation		90919	949
Admin.-Food Stamp Fraud		90822	6,408
Admin.-LSCA NPA Food Stamp Allocation-Elig		90887	37,480
Admin.-LSCA PA Food Stamp Allocation-Elig		90888	15,897
Admin.-LSCA Food Stamp Fraud Allocation-Elig		90895	2,318
Admin.-LSCA Food Stamps Allocation		90930	7,278
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Direct Programs:</u>			
21st Century Community Learning Centers	84.287	N/A	220,968
<u>Pass-Through Programs:</u>			
<u>Department of Education:</u>			
Adult Education - State Grant Program	84.002	61380	51,509
Title I Grants to Local Educational Agencies	84.010	42901 & 42988	686,872
Special Education - Grants to States	84.027	61190, 61110, 43071, 62600 & 61176	788,194
Vocational Education - Basic Grants to States	84.048	61095 & 86648	66,530
Safe & Drug-Free Schools and Communities - State Grants	84.186	60511	23,520
State Grants for Innovative Programs	84.298	49005	22,999
Education Technology State Grants	84.318	61600	16,780
Advanced Placement Program	84.330	60935	312
Rural Education	84.358	43481	3,667
English Language Acquisition Grants	84.365	60512	44,476
Improving Teacher Quality State Grants	84.367	61480 & 61481	191,398

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2005**

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Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<u>Pass-Through Programs:</u>			
<u>Department of Social Services:</u>			
Promoting Safe and Stable Families	93.556		
Family Preservation		90359 & 90360	\$ 9,097
Reunification Family Support		90361	4,713
Administration		90075	125
Temporary Assistance for Needy Families:	93.558		
VIEW - Administrative - JOBS		90046	61,393
VIEW - Jobs Purchased Service - AFDC		90365	2,147
VIEW - Jobs Support Services		90366	4,338
Transitional Transport		90367 & 90377	4,988
Aid to Dependent Children		90603	813
Admin. - AFDC Allocations		90812	24,315
Admin. LSCA-TANF Allocation-Elig		90885 & 90927	10,166
Admin. Allocations - VIEW		90899	5,006
Admin. Title IV-E TANF		90918	54,992
Admin. AFDC/TANF		90922	5,583
Refugee and Entrant Assistance (State- Administered Programs):	93.566		
Refugee Cash Assistance		90210	149
Admin. - Refugee		90807	185
Low-Income Home Energy Assistance:	93.568		
Low Income Home Energy Assistance		90024	10,180
Child Care and Development Block Grant:	93.575		
CDC Quality Initiative		90378	16,875
TANF Education Training		90547	4,094
Head Start		90544	15,925
CDC Fee at Risk		90545	92,101
Child Care and Development Fund:	93.596		
Child Day Care-Service Delivery		90064	43,038
Transitional Day Care		90517	1,072
TANF Working Day Care		90529	12,632
View TANF Working Day Care		90540	40,307
View Transitional Day Care		90541	8,514
Learnfare Day Care		90543	914
Admin. Day Care Allocation		90916	28,729
Admin. LSCA-Day Care		90925	4,747
Adoption Incentive Payments	93.603	90651	3,592
Foster Care - Title IV-E:	93.658		
Admin.-LSCA		90049 & 90876	41,260
Cost Allocation - Title IV-E		90209	12,660
Residential Foster Care		90636	151,959
Child Placing Agency		90637 & 90638	71,903
Agency Foster Homes		90639	29,922
Admin.-Title IV-E FC Allocation		90803	147,196
Admin.-Title IV-E Foster Care Allocation		90813	7,833
Admin.-LSCA-IV-E		90886	3,279
Admin.-Title IV-E Foster Care/Adoption		90917	6,870
Admin.-LSCA-IV-E FC Allocation-Elig		90926	935
Adoption Assistance:	93.659		
Subsidized Adoption		90606	57,496
Nonoccurring IV-E Adoption		90627	54
Admin.- Subsidized Adoption Allocation/LSCA		90804 & 90877	2,353

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2005**

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Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES: (cont'd)</u>			
<u>Pass-Through Programs: (cont'd)</u>			
<u>Department of Social Services: (cont'd)</u>			
Social Services Block Grant:	93.667		
Adult Protective Services		90312 & 90379	\$ 2,110
Child Protective Services		90313	858
Adult Services - Homebound Companion		90340	11,813
Foster Parent Respite Care - Purchased Services		90351	842
Family Support		90357	1,823
Family Preservation PS		90358	1,178
Admin. Adult Protective Services		90076	3,508
Admin. Title XX Allocations		90801	177,693
CHAFEE Foster Care Independence Program	93.674	90355 & 90356	4,436
Medical Assistance Program (Title XIX):	93.778		
Cost Allocations - Medicaid		90213	17,376
Administrative - Title XX		90820	116,659
Admin. LSCA-TXIX		90893	47,426
Admin. LSCA-Medicaid		90929	2,785
Admin. Medicaid Allocation		90920	16,465
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Emergency Management:</u>			
State Domestic Preparedness Equipment Support:	97.004	52713 & 52724	56,690
Emergency Management Performance Grants	97.042	52104, 52745, & 93259	16,086
Community Emergency Response Team	97.054	52143	9,487
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<u>Direct Programs:</u>			
Community Development Block Grants - Entitlement Grants	14.218	B04MC510031	60,567
<u>Pass-Through Programs:</u>			
<u>Department of Housing and Community Development:</u>			
Community Development Block Grants - State's Program	14.228	50792	427,404
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct Programs:</u>			
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-1177	4,789
Bulletproof Vest Partnership Program	16.607	3018023	6,912
Public Safety Partnership and Community Policing Grants (COPS):	16.710		
COPS-MORE		2000CMWX0489	27,506
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2004-DD-BX-1238	67,396
<u>Pass-Through Programs:</u>			
<u>Department of Criminal Justice:</u>			
Crime Victim Assistance	16.575	05-K8584VW04	74,619
Byrne Formula Grant Program	16.579	05-A4581BY03	5,397
Violence Against Women Formula Grants	16.588		
Dedicated Officer Offender Review (DOOR) Stop		04-E3504VA03	38,869
Domestic Violence/Sexual Assault Prosecution		04-F3141VA03	22,669

**CITY OF WINCHESTER, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2005**

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Federal Granting Agency/Pass-Through State Agency/ Grant Program	CFDA Number	Pass-Through Agency Identifying Number Assigned	Program Expenditures
<u>DEPARTMENT OF LABOR:</u>			
<u>Pass-Through Programs:</u>			
<u>Virginia Employment Commission:</u>			
Workforce Investment Act - Adult Program	17.258	LWA 5-03-03 & LWA 5-04-04	\$ 410,507
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Direct Programs:</u>			
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants	20.500	73003-22	376,639
Federal Transit - Formula Grants	20.507	VA-90-X257-00	287,433
<u>Pass-Through Programs:</u>			
<u>Department of Motor Vehicles:</u>			
Open Container Alcohol Impaired Driving	20.000	154AL-05-5112, 50547, & 50593	14,459
Safety Incentive Grant for use of Seatbelts	20.604	50570	370
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	AA-05-51225 & 50591	2,893
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Direct Payments:</u>			
Brownfield's Pilot Cooperative Agreement	66.811	N/A	87,207
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>			
<u>Direct Programs:</u>			
Project TRAIN IT	83.562	LWA-5	1,592
Total Expenditures of Federal Awards			<u>\$ 8,331,487</u>

**CITY OF WINCHESTER, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2005**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of Winchester, Virginia and is presented on the modified accrual basis of accounting.



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## SUMMARY OF STATE AND LOCAL COMPLIANCE MATTERS

The Honorable Members of the Common Council  
City of Winchester, Virginia

As more fully described in the Independent Auditor's Report on Compliance for the year ended June 30, 2005, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

### STATE COMPLIANCE MATTERS

#### Code of Virginia:

Budget and Appropriation Laws  
Cash and Investments Laws  
Conflicts of Interest Act  
Local Retirement Systems  
Debt Provisions  
Procurement Laws  
Uniform Disposition of Unclaimed Property Act  
Personal Property Tax Relief Act  
Enhanced 911 Service Taxes

#### State Agency Requirements:

Education  
Social Services  
Highway Maintenance Funds

### LOCAL COMPLIANCE MATTERS

Budget and Appropriation Ordinances

*Didawick & Knopp, P.C.*

September 21, 2005